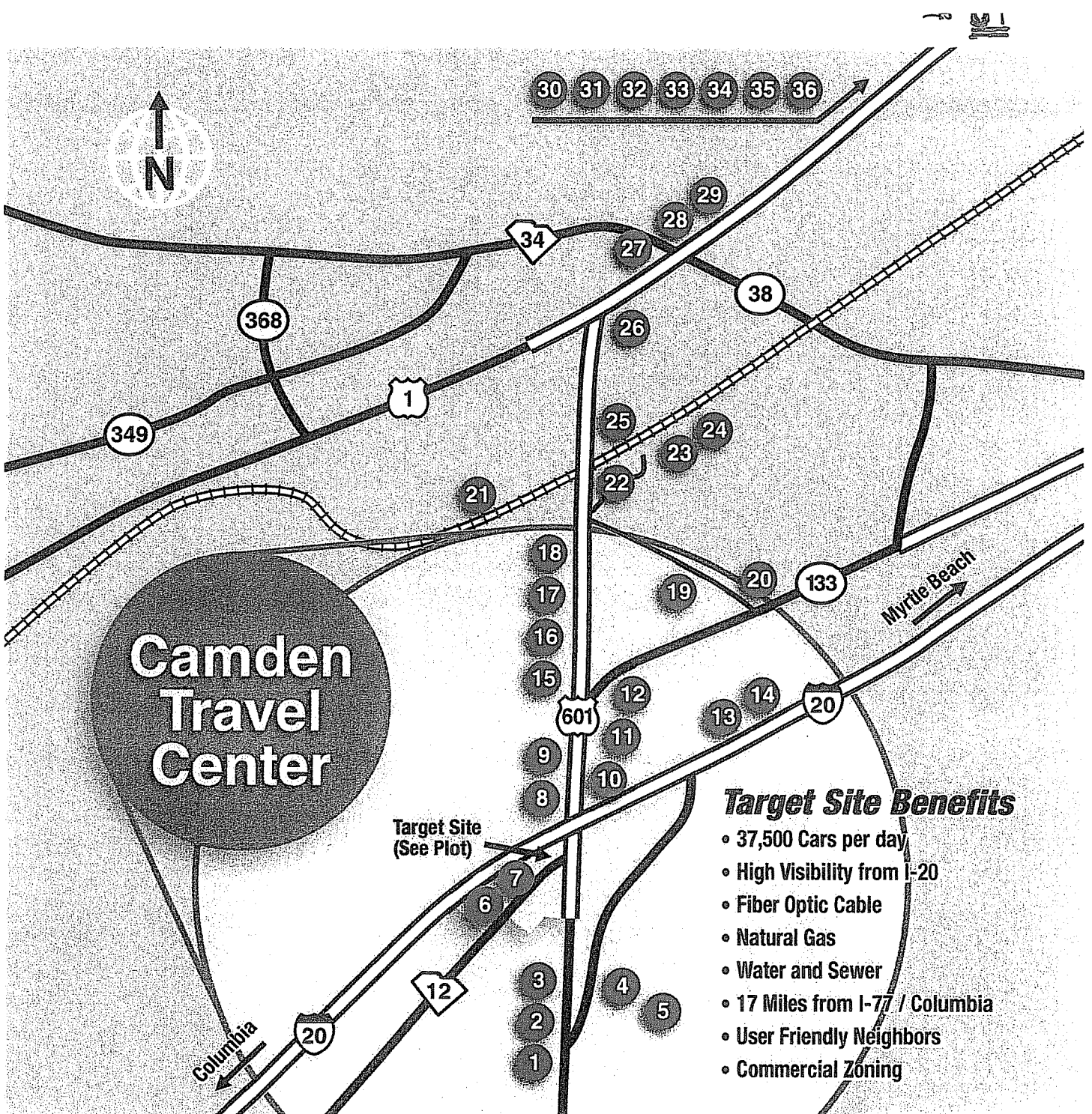


EXHIBIT 1

TESTIMONY OF JOHN C. JUDY, JR.



1. Union Carbide
2. Filter Plant
3. Standard Corporation
4. Utaka Manufacturing
5. Target Warehouse Distribution
6. Campground / RV Park
7. Historical Church
8. Days Inn
9. Convenience Store
10. Ramada Motel
11. Pilot Truck Stop
12. Hardee's
13. Textile Co.

14. Cogsdill Tool Co.
15. Crane Co.
16. Carolina Awning Co.
17. Mancor
18. Dana Corporation
19. Bulldog Trucking
20. Textile Sewing Co.
21. Standard Warehouse
22. Concrete Co.
23. Standard Warehouse
24. Standard Warehouse
25. Rabon Const. & Concrete Co.
26. Redford Ford

27. Shoney's Restaurant
28. McDonald's
29. Convenience Store
30. Walmart Shopping Center
31. Kmart Shopping Center
32. Dupont Manufacturing
33. Lowe's, Inc.
34. Toyota Dealer
35. Chevrolet Dealer
36. Chrysler Dealer

PLEASE NOTE:
Locations are subject to change

SEE "WWW.CAMDENTRAVELCENTER.COM"

EXHIBIT 2

TESTIMONY OF JOHN C. JUDY, JR.

Exhibit # 82

1438

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SC PUBLIC SERVICE
COMMISSION

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-94-S

IN RE:)
)
Application of Palmetto Wastewater)
Reclamation, LLC d/b/a Alpine)
Utilities for adjustment)
of rates and charges for, and modification)
to certain terms and conditions related to)
the provision of sewer service.)

DIRECT TESTIMONY
OF
DONALD J. CLAYTON

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Donald J. Clayton. My principal place of business is 301
3 Oxford Valley Road, Suite 1604, Yardley, Pennsylvania, 19067.

4
5 Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am Vice President of Management Consulting at Tangibl, LLC.

7
8 Q. HOW LONG HAVE YOU BEEN EMPLOYED AT TANGIBL, LLC?

9 A. I have been employed at Tangibl, LLC since April 2007.

10
11 Q. PLEASE DESCRIBE TANGIBL, LLC.

12 A. Tangibl, LLC is a professional services firm serving water, wastewater,
13 waste services and energy utilities.

14

1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

2 A. I have Bachelor of Science in Civil Engineering and Masters of Business
3 Administration degrees from Rensselaer Polytechnic Institute.

4

5 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

6 A. Throughout my career I have served public utilities in consulting and
7 executive capacities. Recent assignments include preparation of rate cases, cost
8 of service and rate design studies for gas and water utilities and depreciation
9 studies for electric, gas, water, wastewater, thermal and railroad companies. My
10 work experience is further detailed in my resume which is attached hereto as
11 Exhibit DJC-1.

12

13 **Q. DO YOU HOLD ANY PROFESSIONAL CERTIFICATIONS?**

14 A. Yes. I am a Registered Professional Engineer in Pennsylvania. I am also,
15 a Chartered Financial Analyst and a Certified Depreciation Professional.

16

17 **Q. HAVE YOU HAD FORMAL TRAINING RELATING TO UTILITY**
18 **ACCOUNTING AND RATEMAKING?**

19 A. Yes. I have completed utility accounting and ratemaking seminars offered
20 by Price Waterhouse and Salomon Brothers. I have also completed 5 one-week
21 programs offered by Depreciation Programs, Inc. in the areas of actuarial and
22 simulated life analysis, forecasting of life and net salvage, and preparing and
23 managing depreciation studies.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-94-S

IN RE:

Application of Palmetto Wastewater
Reclamation, LLC d/b/a Alpine
Utilities for adjustment
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20 by Price Waterhouse and Salomon Brothers. I have also completed 5 one-week
21 programs offered by Depreciation Programs, Inc. in the areas of actuarial and
22 simulated life analysis, forecasting of life and net salvage, and preparing and
23 managing depreciation studies.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC
2 SERVICE COMMISSION OF SOUTH CAROLINA?

3 A. No.

4
5 Q. HAVE YOU PRESENTED EXPERT TESTIMONY IN RATE RELATED
6 PROCEEDINGS BEFORE OTHER REGULATORY AGENCIES?

7 A. Yes. My recent testimonial history is attached hereto as Exhibit DJC-2.

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
10 PROCEEDING?

11 A. The purpose of my testimony is to support the application for rate relief of
12 Palmetto Wastewater Reclamation LLC, doing business as Alpine Utilities, which
13 I will refer to from time to time in my testimony as "PWR" or the "Company",
14 and to sponsor Exhibit B to the application as filed with the Commission in this
15 proceeding.

16

17 Q. WAS EXHIBIT B TO THE APPLICATION PREPARED BY YOU OR
18 UNDER YOUR SUPERVISION?

19 A. Yes.

20

21 Q. WOULD YOU PLEASE DESCRIBE WHAT EXHIBIT B TO THE
22 APPLICATION SHOWS?

*For use
to Company!*

1 A. Yes. Exhibit B consists of 5 schedules, A through E. Schedule A is the
2 Company's balance sheet as of December 31, 2011, set out by National
3 Association of Regulatory and Utility Commissioners, or "NARUC", Uniform
4 System of Accounts, or "USOA", for Class A Wastewater Utilities accounts.
5 Schedule B is the Company's income statement for the year ended December 31,
6 2011, including per books amounts, pro-forma adjustments, pro-forma amounts at
7 present rates, proposed increase and pro-forma proposed amounts, again by
8 USOA account. Schedule B utilizes revenues and expenses for January 1 through
9 August 11, 2011, ~~the period when the Alpine system was owned by its~~
10 ~~predecessors, and revenues and expenses for August 12 through December 31,~~
11 ~~2011, the period when it was owned by PWR Alpine.~~ I should note that an error
12 was discovered in Schedule B subsequent to its filing with the application, which
13 I will comment upon separately. Schedule C shows the Company's billed
14 revenue at present and proposed rates by customer classification for the test year
15 ended December 31, 2011. Schedule D shows the company's original cost, pro-
16 forma additions and retirements, pro-forma original cost, service life, annual
17 depreciation rate and pro-forma depreciation expense by USOA account for Plant
18 in Service and Contributions in Aid of Construction, or "CIAC", as of December
19 31, 2011. Schedule E shows the actual number of customers and Equivalent
20 Residential Customers, or "ERCs" for Commercial and Industrial and Residential
21 (including multi-family) customer classes as of December 31, 2011 and projected
22 through December 31, 2012.

1 Q. YOU MENTIONED AN ERROR IN SCHEDULE B TO EXHIBIT B;
2 WOULD YOU PLEASE ELABORATE UPON THAT?

3 A. Yes. A pro-forma adjustment of \$320,985 related to capitalized
4 maintenance was inadvertently included in the Company's revenue requirement
5 as both an expense and as a part of the amortization of capitalized maintenance.
6 As further explained below, PWR is seeking recovery of its capitalized
7 maintenance costs over a five-year period as a regulatory asset. However, these
8 same costs were erroneously included in Account 736, Contract Services - Other
9 Maintenance, on the Income Statement at page 1 of Schedule B. Thus, these costs
10 (\$320,985) were handled incorrectly in the rate filing. When the Company
11 discovered this, they immediately informed ORS. I understand that ORS will
12 address the effect of this error as an adjustment in its testimony supporting its
13 audit report in this matter and for that reason I am not proposing to amend
14 Schedule B. However, I would note that the adjustment to account for this error
15 will result in a reduction in the proposed monthly sewer rate from the \$34.14 to
16 \$29.87 per single family equivalent.

17
18 Q. WHAT IS THE OVERALL RATE INCREASE THAT PWR SEEKS AS A
19 RESULT OF THIS ADJUSTMENT?

20 A. PWR is seeking additional service revenue of \$1,274,052 instead of the
21 \$1,704,476 reflected in the Application. To achieve this level of additional
22 revenue, the Company is requesting that the monthly charge per single family

Am I missing?

1 equivalent be raised by \$13.12 from the current \$16.75 to the \$29.87 figure I just
2 mentioned.

3
4 Q. WHEN WAS A GENERAL RATE INCREASE LAST REQUESTED FOR
5 THE CUSTOMERS SERVED BY THE ALPINE SYSTEM?

6 A. The last application for rate relief for customers served by the Alpine
7 * system was filed in 2008. As the Commission is aware, that application resulted
8 in the approval of a Settlement Agreement which allowed for an operating margin
9 ** of 22.23%, when so high? the effect of which was to permit a 24.08% increase in the residential
10 monthly sewer rate to the current \$16.75 and an equivalent percentage increase in
11 the monthly rates for the various commercial customers served by the system.
12 This settlement was based upon a test year ending December 31, 2007.

13
14 Q. WHY IS PWR REQUESTING RATE RELIEF AT THIS TIME?

15 A. For the test year ended December 31, 2011, PWR earned a (1.96%)
16 operating margin on a per books basis and a (19.16%) operating margin (loss) on
17 a pro-forma basis at present rates. Both the per books and pro-forma operating
18 margins are well below the 22.23% operating margin allowed by the Commission
19 in the last rate case. Without rate relief PWR will be unable to continue to meet
20 its financial obligations and to attract investment capital for plant expansions and
21 replacements. Such a scenario places in jeopardy the Company's ability to
22 continue to provide safe, reliable and efficient sewer utility services to its
23 customers. PWR is currently making capital improvements to both the

XX Why so high?

XXX Where & What cities?

Almost 80%
~~test~~

8/30
2.
Fairness?
Confused?

1 wastewater treatment plant and the underground collection system under a
2 Memorandum of Understanding (MOU) with the South Carolina Department of
3 Health and Environmental Control which is discussed in the direct testimony of
4 Rick Melcher on behalf of PWR. Since PWR acquired the Alpine system in
5 August 2011, it has spent over \$3.3 million on such capital improvements, with
6 more improvements to be made in the near future.

7
8 Q. WHAT HAS BEEN THE COMPANY'S EXPERIENCE WITH THE COSTS
9 OF OPERATION SINCE THE LAST RATE INCREASE?

10 A. It has been approximately four (4) years since the current rates were
11 placed into effect and in that time the expenses for the system have increased.
12 Increased operational expenses for things such as purchased power, employee
13 salaries, contract services, insurance, etc. have been incurred since the last test
14 year. In addition, taxes and depreciation expense have also increased. Customer
15 growth has been relatively low over this time period. Also, the aging
16 infrastructure of the system has resulted in increased replacements in lines and
17 mains, manholes, pumping stations, the wastewater treatment plant and other
18 parts of the Company's plant. And, the Company has implemented new, on-
19 going operational programs such as right of way clearing and grease trap
20 inspections which have also increased the costs of operation.

What happened
to the \$ \$
This is
a memory

21
22 Q. TO WHAT DOES THE CAPITALIZED MAINTENANCE INCLUDED IN
23 EXHIBIT B RELATE?

Why did this not show up prior to
closing of sale - due diligence?

10/3/5

1 A. Exhibit B includes \$192,151 of capitalized maintenance during the test
2 year for cleaning lines, camera work on lines, root cutting, and removing debris in
3 the lines. The costs for these types of activities are generally expensed.
4 However, since the Alpine system was in such a state of disrepair, which resulted
5 in a number of well-publicized SSO's, PWR chose to perform these activities on
6 an accelerated basis in order to improve the system and to determine what other
7 work would be needed. Additionally, a pro forma adjustment of \$320,985 for
8 additional expenses related to these types of activities was added for a total of
9 \$513,136 of deferred capitalized maintenance. PWR is seeking recovery of these
10 costs over a five-year period as a regulatory asset.

11 did this not show in purchase price of Alpine?
should have?!

12 Q. HOW WERE THESE COSTS PRO FORMED INTO THE RATE FILING?

13 A. These costs were added to Account 186.2, Other Deferred Debits, on the
14 Balance Sheet to be amortized over five years.

15

16 Q. HOW SHOULD COSTS ASSOCIATED WITH SATELLITE SYSTEMS BE
17 HANDLED?

18 A. Typically, costs associated with satellite systems would be incurred by the
19 owners of such systems. However, where satellite system maintenance is either
20 inadequate or non-existent, as I understand was the circumstance with a number
21 of satellite systems connected to the Alpine system, it can become necessary for a
22 utility to incur some of these costs in order to avoid having necessary utility
23 system improvements rendered ineffective. Therefore, for the improvements of

11/30

Ashtab
We spent
415,000
on our
sewer
system
at Mcir
demand!

1 the type made to the Alpine system to be effective, a utility may find it necessary
2 to make needed repairs to satellite systems to avoid sanitary sewer overflows and
3 excessive inflow and infiltration. PWR found it necessary to address the
4 shortcomings in these satellite systems so that the Alpine system could work
5 effectively and the benefits to the improvements it was making to the Alpine
6 system were not lost. In the end, the entire system is improved and the utility
7 customers benefit from these expenses. This issue is further covered in the
8 testimony of Mr. Edward Wallace.

9
10 Q. BASED ON THE TEST YEAR DATA AS ADJUSTED, WHAT
11 OPERATING MARGIN RESULTS AFTER THE REQUESTED RATE
12 INCREASE IS CONSIDERED?

13 A. Based on the adjusted test year data and the requested rate, as revised, of
14 \$29.87 per ERC per month, the resulting operating margin is 15.00%. The
15 15.00% operating margin is well within the range of operating margins the
16 Commission has recently approved for other sewer utilities. By contrast, I would
17 observe that the operating margin previously approved by the Commission for the
18 Alpine system is 22.23%.

19
20 Q. PLEASE EXPLAIN HOW TEST YEAR REVENUES AND EXPENSES
21 WERE ADJUSTED.

22 A. Pro forma adjustments were made to test year revenues and expenses
23 based on known and measurable changes.

1

2 **Q. WHAT ADJUSTMENTS WERE MADE TO THE PER BOOKS**
3 **INCOME STATEMENT ON SCHEDULE B?**

4 A. The adjustments to the per books income statement on Schedule B include
5 corrections and reclassifications; removal of non-recurring items and items which
6 should have been capitalized from the test year expenses; addition of the cost of
7 new maintenance programs and depreciation expense related to plant added after
8 the test year; annualization of current contract operations; amortization of rate
9 case expense over three years; and the income tax effects of all of the other
10 adjustments. The specific adjustments are detailed at the bottom of Schedule B.

11

12 **Q. HAVE THE COMPANY'S EXPENSES INCREASED SINCE THE LAST**
13 **RATE CASE?**

14 A. Yes, they have. For the year ended December 31, 2007, which again was
15 the test year in the last case, total book expenses were \$989,000. For the year
16 ended December 31, 2011, which is the current test year, total book expenses
17 were \$1,726,000.

18

19 **Q. HOW DID THE AMOUNTS BOOKED FOR PLANT IN SERVICE, CIAC**
20 **AND ACCUMULATED DEPRECIATION AND AMORTIZATION OF**
21 **CIAC COMPARE TO THE AMOUNTS PREVIOUSLY RECORDED?**

22 A. Plant in service increased by approximately \$3.6 million due to capital
23 investments. CIAC was increased by \$41,000. Accumulated depreciation has

1 continued to reflect Commission guideline service lives and straight line
2 depreciation as opposed to accelerated tax depreciation which is not permitted
3 under the USOA. Accumulated depreciation was increased by approximately
4 \$887,000. CIAC amortization was similarly adjusted to reflect straight line
5 depreciation based on guideline lives as opposed to accelerated tax depreciation.
6 Accumulated CIAC amortization was increased by approximately \$61,000.
7

8 **Q. WOULD YOU BRIEFLY EXPLAIN THE METHODOLOGY THE**
9 **COMPANY USED TO ESTABLISH THE BEGINNING BALANCES FOR**
10 **PLANT AND CIAC AS OF AUGUST 1, 2011?**

11 A. Yes. In 2011 the Company did not acquire all the fixed assets of the
12 Alpine Utilities system, mainly those related to its office and office machines and
13 equipment. Thus, those fixed assets were eliminated from plant in service and
14 accumulated depreciation balances on day one. Since then PWR has recorded
15 new fixed assets and accumulated depreciation. CIAC was carried forward using
16 balances which existed at the time of acquisition.
17

18 **Q. HOW WAS ACCUMULATED DEPRECIATION RELATED TO PLANT**
19 **AND ACCUMULATED AMORTIZATION RELATED TO CIAC**
20 **ESTABLISHED?**

21 A. PWR continued depreciating plant in service and amortizing CIAC based
22 on the same methodologies as allowed by the Commission.
23

1 Q. HOW DO THE PLANT IN SERVICE, CIAC AND RELATED
2 DEPRECIATION AND AMORTIZATION AMOUNTS AFFECT THE
3 COMPANY'S REVENUE REQUIREMENT?

4 A. If the Company's plant and CIAC balances are changed, depreciation and
5 amortization expense will have to be adjusted accordingly. Any change made to
6 the allowed level of expenses affects the revenue requirement.

7
8 Q. HOW WERE THE PLANT, CIAC, ACCUMULATED DEPRECIATION
9 AND ACCUMULATED AMORTIZATION BALANCES AS OF
10 DECEMBER 31, 2011 DETERMINED?

11 A. The August 1, 2011 balances were brought forward based on the additions
12 and retirements from then until December 31, 2011.

13
14 Q. WERE THERE ANY PRO FORMA ADDITIONS OR RETIREMENTS TO
15 PLANT INCLUDED IN THE BASIS FOR DEPRECIATION IN THIS
16 CASE?

17 A. Yes, the actual additions and retirements affect depreciation expense
18 which is part of the revenue requirement. This includes depreciation expense
19 related to the pro forma capital additions for the MOU mentioned previously. The
20 original cost and depreciation schedule on per books and pro forma bases are
21 shown in Schedule D of Exhibit B.

22

1 Q. WHAT IS THE PROPOSED RATE INCREASE DESIGNED TO
2 ACCOMPLISH FOR THE COMPANY?

3 A. An increase in PWR's current rates is designed to generate additional
4 revenues that will allow the Company to adequately fund its operations, attract
5 capital, comply with regulatory requirements and continue to provide excellent
6 sewer service to its existing and future customers.

7
8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes. It does.

*W/ 22% Ref 2/10
then testimony 2/15 on 2/10*



301 Oxford Valley Rd / Suite 1604 / Yardley, Pennsylvania 19067-7709
TEL 215.369.9345 / FAX 215.369.9344 / www.tangibl.com

DONALD J. CLAYTON / Vice President

Mr. Clayton has over 30 years' experience in the energy utility industry and management consulting profession. His experience includes financial and treasury management, including his role as Vice President and Treasurer at DQE, at that time the parent company of Duquesne Light Company. Mr. Clayton also has extensive experience in new venture creation, as President of the AquaSource venture at DQE and President and Chief Operating Officer of Conjunction LLC in New York State. In his management consulting roles, Mr. Clayton's technical specialties include public utility valuation, depreciation, plant, rate base, cost of service and rate design as well as economic analysis and financial modeling.

Mr. Clayton holds a Bachelors of Science in Civil Engineering and a Master of Business Administration from Rensselaer Polytechnic Institute. He is a registered Professional Engineer in the Commonwealth of Pennsylvania, a Chartered Financial Analyst, as well as a Certified Depreciation Professional.

Professional Experience

2007 – PRESENT TANGIBL, LLC
VICE PRESIDENT – MANAGEMENT CONSULTING

As Vice President of Management Consulting at Tangibl, LLC, Mr. Clayton is responsible for a wide range of assignments including depreciation studies for electric, gas, water, wastewater, thermal and railroad companies and cost of service and rate design studies for electric, gas and water utilities.

2005 – 2007 GANNETT FLEMING, INC.
DIRECTOR, REGULATORY ECONOMICS

Representative assignments include d:

- *Allegheny Energy, Inc., Greensburg, Pennsylvania* – Depreciation Studies of Regulated Electric Companies in West Virginia and Unregulated Generation Plant. The studies included development of annual depreciation rates for regulated electric plant in service in West Virginia and the unregulated generating plant throughout the system. Elements of the study included a field inspection of power plants, major substations, operations centers and office buildings; discussions with management regarding outlook; statistical analyses of service life and net salvage, and calculation of annual and accrued depreciation using several alternative bases and procedures. The depreciation study for the regulated West Virginia Utilities was filed with the West Virginia Public Service Commission in September 2006.
- *Citizens Gas and Coke Utility, Indianapolis, Indiana* – Depreciation Studies of Gas and Thermal Plant. The studies involved development of annual depreciation rates for gas and thermal plant. Field inspections of the facilities were performed, discussions with management regarding outlook were held, statistical analyses of service life and salvage data were conducted and annual and accrued depreciation were calculated.
- *East Kentucky Power Cooperative, Winchester, Kentucky* – Depreciation Studies of Electric Plant. The study involved development of annual depreciation rates for the company's electric plant including generation, transmission and general plant. The study included a field inspection of power plants, major substations, operations centers and office buildings; discussions with management regarding outlook; statistical analyses of service life and net salvage, and calculation of annual and accrued depreciation. The depreciation study filed with the Kentucky Public Service Commission in May of 2006 and the Rural Utilities Service in June of 2006.
- *Anchorage Water and Wastewater Utility (AWWU), Anchorage, Alaska* – Testimony on Contributed Plant and Depreciation Studies for Water and Wastewater Plant. The first assignment included rebuttal testimony on behalf of the company related to its accounting treatment of contributed plant. The depreciation studies included field inspections of the treatment plants, major pumping stations, and offices; discussions with management regarding outlook; data assembly; statistical analysis of service life and net salvage; and calculation of annual and accrued depreciation related to plant in service as of December 31, 2005.

- *Kansas City Southern Railroad (KCS), Kansas City, Missouri* – Capitalization Policy and Depreciation Studies for Kansas City Southern, Kansas City Southern de Mexico, and Texas Mexican Railway. The first assignment involved development of a revised capitalization policy. The Company's existing capitalization policy and retirement units catalogue were compared with those of other class I and passenger railroad companies and revisions were suggested and subsequently adopted by the company. The depreciation studies involved discussions with management regarding outlook, statistical aging of the subsidiary company property, service life and net salvage analysis and calculating of annual and accrued depreciation.
- *East Resources, Inc., Pittsburgh, Pennsylvania* – Base Rate Case Filing. The assignment involved preparation of a complete base rate case filing for the Company's West Virginia gas utility division. Exhibits were prepared in conformance with the West Virginia Commission's filing requirements under Rule 42. Direct testimony was prepared and responses to numerous data requests were completed. The case was filed in April 2006 and was settled in September 2006.

2002 – 2005CONJUNCTION, LLC
PRESIDENT AND CHIEF OPERATING OFFICER

Conjunction LLC was formed to develop a high voltage direct current transmission line from upstate New York to New York City.

- Responsible for day-to-day activities of the firm, raising equity capital to fund the project and negotiation of numerous contracts and agreements between the Company and its consultants, lawyers, land owners and investors.
- Responsible for preparation of the Company's transmission siting filing under Article VII before the New York Public Service Commission and the FERC filing for merchant transmission line status.

2000 – 2002ENERGY LEADER CONSULTING, LLC
PARTNER

Energy Leader Consulting provided strategic consulting to energy companies concerning opportunities related to electric generating stations.

- Performed acquisition analysis for generating stations, identification of power plant development opportunities throughout the U.S. market and diagnostic studies for electric generators.
- Led multi-million dollar study for Amtrak to determine the feasibility of using their railroad rights-of-way for electric transmission.

1985 – 2000DQE
VICE PRESIDENT AND TREASURER
PRESIDENT – AQUASOURCE
MANAGER – VALUATION AND PROPERTY RECORDS DEPARTMENT

- Mr. Clayton developed and directed the AquaSource subsidiary where he managed all aspects of a rapidly-growing business, including development of the initial business plan, integration of acquisition targets, recruitment of executive staff, and political and regulatory relations. He also headed the rate case filed in Texas for a statewide tariff related to the small water and wastewater companies acquired by AquaSource.
- As Vice President and Treasurer, Mr. Clayton was responsible for corporate finance, financial planning, corporate budgeting, cash management and investor and shareholder relations during a period of unprecedented organizational and marketplace changes. While he was Vice President and Treasurer, he was the stranded cost witness for Duquesne Light Company in their restructuring proceeding before the Pennsylvania Public Utility Commission.

- Mr. Clayton's first position with DQE was as Manager of the Valuation and Property Records (Fixed Assets) department, where he was responsible for the Company's \$5+ billion of fixed assets and the construction cost accounting system, at a time when two nuclear electrical generation plants were being built and added to rate base. While in this position, he was the company's rate base and depreciation witness in its two largest rate cases.

1980 – 1985 PRICE WATERHOUSE
MANAGER, PUBLIC UTILITY INDUSTRY SPECIALTY GROUP

- Performed numerous cost-of-service, rate design, depreciation and other valuation and rate related assignments for electric, gas, water and sewer clients in the public and private sectors.
- Developed a PC-based cost of service program and completed a program for evaluating street lighting.

1977 – 1980 GANNETT FLEMING, INC.

- Performed numerous studies in the areas of depreciation and cost of service for electric, gas, telephone, water, wastewater and railroad companies.
- Presented expert testimony before the Pennsylvania Public Utility Commission, the Alaska Public Utilities Commission and Monmouth County Court in New Jersey.
- Completed assignments for more than 50 companies, including electric, gas, water, and telephone and railroad clients.
- Participated in the valuation related to the \$2.1 Billion conveyance of the former Penn Central Railroad to Conrail and provided the analytics for three successful tax cases involving more than \$300 million in tax depreciation for the Union Pacific, the Burlington Northern and the Chesapeake & Ohio Railroads.

Continuing Education

- All programs offered by Depreciation Programs, Inc.
- Management training courses offered by the Edison Electric Institute.
- Utility accounting seminars offered by Salomon Brothers.

Professional Societies

Mr. Clayton is an active member of the Society of Depreciation Professionals where he is an instructor at their annual depreciation training sessions. He has taught the basic life analysis course and the advanced course on preparing and defending a depreciation study.

State	Agency	Docket Number	Company	Utility Type	Primary Issue
AK	RCA	U-04-22	Anchorage Water and Wastewater Utility	Water/Wastewater	Contributed water/wastewater plant and depreciation
AK	RCA	U-04-23	Anchorage Water and Wastewater Utility	Water/Wastewater	Contributed water/wastewater plant and depreciation
AK	IURC	Cause No. 43201	Citizens Thermal	Steam, Thermal	Depreciation
IN	IURC	Cause No. 43463	Citizens Gas & Coke Utility	Gas	Depreciation
IN	IURC	Cause No. 43624	Citizens Gas of Westfield	Gas	Depreciation
KY	KYPSC	2005-00236	East Kentucky Power Cooperative	Electric	Depreciation
N/A	FERC	ER-07-562-004	Trans-Allegheny Interstate Line Company (Allegheny)	Electric	Depreciation and Net Salvage for Static Var Compensator
N/A	FERC	ER-08-386-000	Potomac-Appalachian Transmission Highline, LLC (AEP/Allegheny Energy)	Electric	Depreciation and Net Salvage of Transmission Plant
N/A	FERC	ER-09-35-000	Tallgrass Transmission, LLC (AEP/MidAmerican/OGE)	Electric	Depreciation and Net Salvage of Transmission Plant
N/A	FERC	ER-09-36-000	Prairie Wind Transmission, LLC (AEP/MidAmerican/Westar)	Electric	Depreciation and Net Salvage of Transmission Plant
N/A	FERC	ER-09-75-000	Pioneer Transmission, LLC (AEP/Duke Energy)	Electric	Depreciation and Net Salvage of Transmission Plant
OK	OCC	Cause Nos. PUD 200800144	Public Service Company of Oklahoma (AEP)	Electric	Net salvage
OK	ORPUC	UG 201	Avista Corporation	Gas	Cash working capital
PA	PAPUC	R-460378	Duquesne Light Company	Electric	Rate base and depreciation
PA	PAPUC	R-870651	Duquesne Light Company	Electric	Rate base and depreciation
PA	PAPUC	R-00974041	Duquesne Light Company	Electric	Stranded cost and electric industry restructuring
TX	TCEQ	(SOAH) 582-09-4290	Country Vista	Wastewater	Revenue requirements, cost of service, cost of capital, rate design
TX	TCEQ	(SOAH) 582-08-0702	Shaded Lane Water Company	Water	Revenue requirements, cost of service, cost of capital, rate design
TX	TCEQ	(SOAH) 582-12-1634	D & K Development Corp.	Wastewater	Revenue requirements, cost of service, cost of capital, rate design
WV	WPSC	06-0445-G-42T	East Resources	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WPSC	06-0275-G-42T	East Resources	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WPSC	09-2059-G-42T	Megan Oil & Gas Company	Gas	Rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WPSC	10-0757-G-D	Megan Oil & Gas Company	Gas	Rate base and accumulated depreciation related to request for change in depreciation rates.
WV	WPSC	05-0420-E-CN	Monongahela Power Company and The Potomac Edison Company (Allegheny Energy)	Electric	Depreciation, cost of removal, net salvage
WV	WPSC	11-0410-G-42T	Bluefield Gas Company	Gas	Deferred tax assets and liabilities, net operating losses and IRS Tax normalization
WV	WPSC	11-0532-G-42T	Megan Oil & Gas Company	Gas	Rate base, cost of service and revenue requirements
WV	WPSC	11-1321-G-42T	Blacksville Oil & Gas Company	Gas	Rate base, cost of service, deferred tax assets and liabilities, net operating losses, IRS Tax normalization and revenue requirements

20/35

March, 2012

Testimonial History of Donald J. Clayton

Case Support (No testimony filed)

State	Agency	Docket Number	Company	Utility Type	Primary Issue
FL	FLPSC	090182	NI Florida, LLC (Hudson)	Wastewater	Complete rate case preparation, including rate base, cost of service, cost of capital, working capital, billing analysis and revenue requirements
FL	FLPSC	100149	NI Florida, LLC (Tamlant)	Water	Complete rate case preparation, including rate base, cost of service, cost of capital, working capital, billing analysis and revenue requirements
FL	FLPSC	100126	CFAT H2O, Inc.	Water/Wastewater	Complete rate case preparation, including rate base, cost of service, cost of capital, working capital, billing analysis and revenue requirements
FL	FLPSC	100127	Tradewinds Utilities, Inc.	Water/Wastewater	Complete rate case preparation, including rate base, cost of service, cost of capital, working capital, billing analysis and revenue requirements
ID	IPUC	AVG-10-01-E	Avisia Corporation	Electric/Gas	Cash working capital study
ID	IPUC	AVG-10-01-G	Avisia Corporation	Electric/Gas	Cash working capital study
SC	PSCSC	2011-24-S	Palmello Utilities	Wastewater	Complete rate case preparation, including cost of service, billing analysis and revenue requirements
WA	WUTC	UE-100467	Avisia Corporation	Electric/Gas	and property records study
WA	WUTC	UG-100468	Avisia Corporation	Electric/Gas	Cash working capital study
WV	WVPSC	08-2030-E-PC	Black Diamond Power Company, Elk Power Company, Union Power Company, West Virginia Utility Company	Electric	Cash working capital study
WV	WVPSC	09-1985-E-42T	Black Diamond Power Company	Electric	Merger justification and support
WV	WVPSC	09-1986-E-42T	Elk Power Company	Electric	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements
WV	WVPSC	09-1987-E-42T	Union Power Company	Electric	Complete Rule 42 Exhibit preparation, including rate base, cost of service, cost of capital, working capital and revenue requirements

Other Cases

State	Agency	Docket Number	Company	Utility Type	Primary Issue
NJ	N/A	N/A	International Flavors and Fragrances	Wastewater	Cost of service, rate design
NA	RUS	N/A	East Kentucky Power Co-op	Electric	Depreciation
NA	STB	N/A	Kansas City Southern Railroad	Railroad	Depreciation

21/38

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SC PUBLIC SERVICE
COMMISSION

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-94-S

IN RE:)
)
Application of Palmetto Wastewater)
Reclamation LLC, d/b/a Alpine)
Utilities for adjustment)
of rates and charges for, and modification)
to certain terms and conditions related to)
the provision of sewer service.)
_____)

DIRECT TESTIMONY
OF
EDWARD R. WALLACE, SR., CPA

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Edward R. Wallace Sr. My principal place of business is 10913
3 Metronome Drive, Houston, Texas, 77043.

4
5 Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed as the President and CEO of Ni America Capital Management
7 LLC, or "Ni America," and all of its subsidiaries, which includes the applicant in this
8 proceeding, Palmetto Wastewater Reclamation LLC, doing business as Alpine Utilities,
9 which I will hereafter refer to as "PWR" or the "Company."

10

1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND, TRAINING, AND WORK**
2 **EXPERIENCE?**

3 A. I graduated, *cum laude*, from Texas A&M University with a Bachelor of Business
4 degree. I am a certified public accountant licensed to practice in the State of Texas. I
5 have applied to the South Carolina Board of Accountancy for reciprocity. I have worked
6 with or in the utility industry my entire career and have over fifteen years of experience
7 in water and wastewater. I was first employed by Coopers & Lybrand in 1978 where I
8 ultimately became a partner. During my time with Coopers & Lybrand, I served on its
9 behalf at the Financial Accounting Standards Board from 1986 until 1988, working on
10 projects in the leasing and utility industries. From 1991 until 1995 I worked in
11 investment banking, structuring transactions for both private and public companies in the
12 leasing and utility industries. During those years, I was either a partner of various
13 regional private firms or employed as a Director by CS First Boston. In 1996 I founded
14 AquaSource, Inc., (a multi-state water and wastewater company) and led a team of
15 individuals responsible for completing over 150 transactions in just over two years for
16 clients involved in the water/wastewater industry and the propane gas industry. During
17 that time the business grew from 16 employees with no revenues to over 1,100
18 employees and almost \$200 million in revenue. Beginning in April 2007, I co-founded Ni
19 America and became President of the water and wastewater utilities that are its
20 subsidiaries. As the Commission is aware, the South Carolina subsidiaries of Ni America
 are Palmetto Utilities, Inc. and PWR, the latter of which owns the Alpine and Woodlands
 wastewater systems.

1 Q. WHAT ARE YOUR JOB RESPONSIBILITIES IN YOUR CURRENT POSITION?

2 A. As President and CEO of Ni America, I am ultimately responsible for all
3 acquisitions and day-to-day operations of seven utility subsidiaries, serving
4 approximately 30,000 customers in three states. As President of PWR specifically, my
5 responsibilities include the day-to-day oversight of Company's management, its
6 wastewater treatment operations, customer billing and relations, and supervision of
7 environmental compliance.
8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

10 A. The purpose of my testimony is to support the PWR application for rate relief for
11 service provided to customers in the Alpine portion of PWR's service area and provide
12 the Commission with an overview of (1) Ni America and PWR's continuing commitment
13 to bring undercapitalized utility systems into regulatory and environmental compliance
14 and to strive to achieve best industry practices in customer service and operations, (2) our
15 inclusion in the rate filing of expenses relating to cleaning and repairing certain satellite
16 collection systems which are not owned by PWR but connect to its main wastewater
17 trunk line and, as such, are critical to maintaining environmental integrity in its collection
18 system, and (3) the proposed capitalization and subsequent accounting treatment of
19 certain underground expenses normally expensed under the NARUC chart of accounts.
20

21 Q. WHAT IS NI AMERICA'S AND PWR'S COMMITMENT TO REGULATORY
22 AND ENVIROMENTAL COMPLIANCE, BEST INDUSTRY PRACTICES, AND

1 CUSTOMER SERVICE AND HOW HAS IT DEMONSTRATED THAT
2 COMMITMENT?

3 A. Ni America was founded in April 2007 to acquire small to mid-sized water and
4 wastewater companies. Ni America's management consists of 17 dedicated employees
5 with over one hundred combined years of water and wastewater experience. The
6 members of the management team of Ni America pride themselves on having the
7 reputation and dedication to bring undercapitalized utility systems into regulatory and
8 environmental compliance and striving to achieve best industry practices in customer
9 service and operations. In August of 2011, PWR acquired Alpine Utilities, Inc., which
10 was an undercapitalized system plagued with numerous Sanitary Sewer Overflows
11 (SSOs) and desperately in need of plant upgrades and cleaning and repair of its collection
12 systems. In June of 2011, we entered into a Memorandum of Understanding (MOU) with
13 the South Carolina Department of Health and Environmental Control (DHEC) to make
14 needed improvements and repairs over a five year period to the Alpine wastewater plant
15 and collection system. Mr. R. Stanley Jones, as Ni America's President of South
16 Carolina, will discuss the details of the work performed in this regard in his testimony.
17 In summary, we have spent approximately \$3.4 million on the improvements and repairs
18 to date on the work in the Alpine system agreed upon in the MOU and have provided
19 documentation to DHEC as to our progress. We have embraced the exemplary
20 environmental quality performance standards set by Mr. Jones for Palmetto Utilities, Inc.
21 and are committed to applying them at PWR. In May of this year, we took steps to
22 improve our operations performance by engaging a new third-party operator, Utility

1 Partners, Inc., with a larger regional presence, stronger reputation and more experience in
2 the operations of wastewater utilities of the size of the three systems operated by Ni
3 America subsidiaries in South Carolina. It is our continued belief that the foundation of
4 good customer service is communication, which we believe begins with the direct
5 Company to customer communication opportunities we provide in our Town Hall
6 forums. Our commitment to customer service through this type of communication, as
7 well as the addition of facilities, equipment and payment options, is described in detail in
8 the testimony of Company witness Mr. Rick Melcher. In summary, at Ni America, we
9 strive to continue to improve our policies, procedures, and customer service with the goal
10 of becoming the role model for South Carolina privately owned regulated water and
11 wastewater utilities.

12
13 **Q. THE RATE SCHEDULE PROPOSES CERTAIN LANGUAGE PERTAINING TO**
14 **THIRD-PARTY OWNED SATELLITE SEWER SYSTEMS; WOULD YOU**
15 **PLEASE EXPLAIN THE IMPACT THESE SYSTEMS HAVE ON THE**
16 **INTEGRITY OF THE PWR ALPINE SYSTEM?**

17 A. Yes. Our Alpine collection system is somewhat unique in that it has numerous
18 satellite sewer systems that flow into the Alpine collection system that are not owned by
19 PWR. Even worse, some of these satellite systems represent junction areas between
20 system components that PWR owns and does not own. A primary obligation of PWR is
21 to maintain the integrity of the Alpine system and we are committed to increasing its
22 efficiency and improving the integrity of its collection system. To discharge this

obligation we have undertaken, and are in the middle of, a multi-million dollar program to video, clean, and repair the Alpine collection system. We have learned that a large number of the SSOs experienced by the Alpine system prior to our ownership of it were the result of the lack of maintenance in these satellite systems. Therefore, in order to bring the Alpine collection system into compliance, PWR is required to not only clean, repair, and video the trunk and feeder lines that we own, but to insure that the satellite systems that feed into the Alpine collection system are constructed and maintained to our standards and in accordance with the regulations of the South Carolina Department of Health and Environmental Control. As it relates to the presence of grease in the Alpine system and the occurrence of SSOs throughout the Alpine service area, cleaning and repairing the system that we own loses its benefit if we cannot control the satellite systems that we do not own. Without control of the grease or blockages occurring in these satellite systems, PWR will be forced to clean its own lines again and more frequently than it would otherwise on an ongoing basis. This unnecessary expense will be passed on to customers in rates. Similarly, where a satellite system is not properly constructed and maintained, this results in excessive inflow and infiltration, or "I&I," which leads to increased transportation and treatment costs that are also passed along to customers in rates. Both short-term and long-term solutions are needed to address this problem.

Q. WHAT IS THE COMPANY'S PROPOSAL WITH RESPECT TO THE SATELITE SYSTEMS CONNECTED TO THE ALPINE SYSTEM?

Complaint

1 A. As a responsible corporate partner, we are committed to keeping the environment
 2 safe for all stakeholders by limiting SSO's in the Alpine service area to the extent
 3 possible. As a responsible public utility, we are committed to reducing the costs of
 4 maintaining and operating the Alpine system that our customers have to bear. Therefore,
 5 in the short term we will continue to clean, repair, and video the satellite systems that
 6 feed into our own trunk line when and if we deem it necessary to maintain our system's
 7 integrity. We seek to recover in this rate case the costs we have incurred in doing so. To
 8 address the issue on a long term basis, we have also requested in this proceeding that the
 9 Commission approve language giving PWR the express authority to require owners of
 10 satellite systems to either video, clean, and repair their systems to the same regulatory
 11 standards we must adhere to as required by DHEC or to reimburse the Company if it
 12 undertakes to do the work when the satellite system owners fail to discharge their
 13 responsibility. Unfortunately, service termination is not an option in this circumstance
 14 due to the fact innocent customers would be adversely affected.

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16 Q. HOW DID PWR ACCOUNT FOR UNDERGROUND COSTS, SUCH AS
 17 CLEANING AND VIDEOING THE COLLECTION SYSTEM.

18 A. The Uniform System of Accounts for Class A Wastewater Utilities as outlined by
 19 the National Association of Regulatory Utility Commissioners (NARUC) requires certain
 20 costs, including the cleaning and videoing of collection lines, be accounted for as routine
 21 maintenance expenses in account 736.2 Contractual Services - Other Collection Expenses
 22 - Maintenance. However, because of the circumstances, we accounted for them in a

1 slightly different manner. Under the MOU, PWR is committed to video, clean, and repair
2 over 172,000 feet of wastewater collection system within a five year period. That
3 commitment represents a financial obligation to perform underground work estimated to
4 cost over \$4 million. From a regulatory perspective, those costs do not represent either
5 capital items as prescribed by the NARUC chart of accounts, or period costs that
6 reasonably should be expected to be incurred at the same level past the five year period of
7 the MOU. In lieu of expensing those costs on an annual basis, PWR has elected to
8 capitalize those costs in account 186.2 Regulatory Assets and amortize them over five
9 years. We believe that our accounting treatment is consistent with the position taken by
10 other commissions for similar costs. Further, we believe that the proposed treatment of
11 these costs allows Alpine to recover such costs over a reasonable period without the
12 customer incurring an unreasonable increase in rates.

13
14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes, it does.

29/35

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SC PUBLIC SERVICE
COMMISSION

BEFORE
THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2012-94-S

IN RE:)
)
Application of Palmetto Wastewater)
Reclamation LLC d/b/a Alpine Utilities)
for adjustment of rates and charges)
for, and modification to certain terms)
and conditions related to)
the provision of sewer service.)
_____)

DIRECT TESTIMONY
OF
DONALD H. BURKETT

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Donald H. Burkett. My principal place of business is 3101
3 Sunset Boulevard, West Columbia, South Carolina 29171.

5 Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed as the Executive Vice President of Burkett Burkett &
7 Burkett Certified Public Accountants, P.A. where I have worked since 1976.

9 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND TRAINING
10 AND WORK EXPERIENCE?

11 A. I graduated in 1974 from the University of South Carolina with a Bachelor
12 of Science Degree in Accounting. I am a CPA licensed to practice accounting in
13 South Carolina and a member of the American Institute of Certified Public
14 Accountants. From 1974 until 1976, I worked for a regional CPA firm before

1 founding Burkett Burkett & Burkett Certified Public Accountants, P.A. in 1976. I
2 am a past President of the South Carolina Association of Certified Public
3 Accountants. I currently serve as Chairman of the South Carolina Board of
4 Accountancy, which regulates the licensure and practice of accounting in the State
5 of South Carolina. I have been involved with auditing, tax return preparation,
6 financial services, and advisory services for my entire career for a variety of
7 clients, including regulated utilities.

8

9 Q. WHAT ARE YOUR JOB RESPONSIBILITIES IN YOUR CURRENT
10 POSITION?

11 A. As Executive Vice President of Burkett Burkett & Burkett Certified Public
12 Accountants, P.A. I am responsible for coordinating the day-to-day activities of
13 approximately 15 professional employees.

14

15 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC
16 SERVICE COMMISSION OF SOUTH CAROLINA?

17 A. Yes. My recent testimonial history is attached hereto as Exhibit DHB-1.

18 As noted therein, I have testified before the Commission on behalf of the
19 applicant in the most recent rate relief proceedings involving the Alpine Utilities
20 system, which is now owned by Palmetto Wastewater Reclamation LLC, or
21 "PWR", which is the applicant in this proceeding.

22

X Expert Witness

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
2 PROCEEDING?

3 A. The purpose of my testimony is to support the application for rate relief of
4 PWR, which I will also refer to from time to time in my testimony as the
5 'Company', by addressing its proposed allocation of corporate overhead costs from
6 its upstream ownership entities for ratemaking purposes.
7

8 Q. WHAT CORPORATE OVERHEAD COSTS ARE PROPOSED TO BE
9 ALLOCATED TO THE COMPANY ?

10 A. The costs comprising the proposed corporate overhead allocation include
11 staff salaries, payroll taxes, benefits, audit, tax return preparation, directors' fees
12 and expenses, sponsor monitor fees, contract services, travel, legal services, office
13 costs, insurance, and communications.
14

15 Q. DO YOU BELIEVE THE ALLOCATION OF CORPORATE OVERHEAD
16 PROPOSED BY PWR IN THIS PROCEEDING IS PROPER?

17 A. Yes. PWR is owned by Ni South Carolina LLC, which is in turn owned
18 by Ni America Capital Management LLC. Ni America Capital Management
19 LLC, through various subsidiary entities, owns seven utility systems operating in
20 South Carolina, Florida and Texas, all of which receive services from it and from
21 its operating service subsidiary, Ni America Operating LLC. The costs of Ni
22 America Capital Management LLC and Ni America Operating LLC, are
23 properly includable in the costs of these downstream utilities if they are

Out of State PWR is high

1 consistently allocated. The customers of the utilities benefit from receiving the
 2 expertise, the management, tax, and accounting services, and the corporate
 3 governance which the upstream entities provide, but bear only a share (or
 4 allocation) of the costs associated with providing these resources. This saves
 5 * customers from bearing in rates 100% of the costs of a separate, full time staff and
 6 other resources and expenses incurred in the management of PWR, which they
 7 would have to do if PWR maintained a separate, full time staff to discharge these
 8 functions. These overhead costs are necessary for any well run utility and when
 9 shared through corporate overhead ^{*}allocations, it results in economies of scale and
 10 a savings to the customers. AND customers get a 100% rate increase?
 11

12 **Q. YOU MENTIONED YOUR INVOLVEMENT AS A WITNESS IN THE**
 13 **LAST RATE RELIEF PROCEEDING INVOLVING THE ALPINE**
 14 **SYSTEM; IS THE ALLOCATION OF COSTS THAT IS SOUGHT BY**
 15 **PWR IN THIS CASE THE SAME TYPE OF ALLOCATION THAT WAS**
 16 **ACCEPTED IN THAT CASE?**

17 **A.** No, but the principle behind the allocation in each instance is similar. In
 18 the previous rate case, some expenses such as management salaries, rental, and
 19 shared equipment were allocated between Alpine Utilities, Inc. and its affiliate,
 20 Woodland Utilities Inc., which were under common ownership and control, but
 21 not in a parent-subsidary relationship. That allocation reflected the sharing of
 22 certain expenses between two operating entities and an appropriate assignation of
 23 costs to each. Customers benefitted from that allocation as it avoided the

1 duplication of costs for each entity. In this case, the allocation is between an
2 operating utility entity and upstream entities providing services that are no longer
3 required to be incurred at the operating level and can be incurred more
4 economically at the upstream company level as it involves incurring costs for
5 multiple operating utility entities subject to economies of scale.

6
7 **Q. ARE UTILITY HOLDING AND SERVICE COMPANY STRUCTURES**
8 **AND ASSOCIATED COST ALLOCATIONS COMMON IN SOUTH**
9 **CAROLINA?**

10 **A.** Yes. There are a number of regulated utilities operating in this State
11 which are owned by holding companies which also own service companies and
12 whose costs are allocated to their downstream entities for ratemaking purposes.
13 And this is something that South Carolina shares in common with many
14 jurisdictions.

15
16 **Q. IS IT YOUR OPINION THAT THE UTILITY HOLDING AND SERVICE**
17 **COMPANY STRUCTURE AND THE ASSOCIATED COST**
18 **ALLOCATIONS TO THE OPERATING UTILITIES THEY OWN OR**
19 **SERVE IS CONSISTENT WITH THE PUBLIC INTEREST?**

20 Yes, that is my opinion. Customers benefit from the utility holding
21 company and service company structure because it enables utilities to provide
22 their services at a lower overall cost than would otherwise have to be incurred and
23 passed on in rates. Also, it helps to insure the financial viability of operating

1 utilities and promotes economic development in the state by attracting necessary
2 capital for utility infrastructure that holding companies can obtain and provide to
3 downstream entities at a lower cost than they would incur if they sought capital on
4 their own. Further, because of the ubiquitous nature of utility holding and service
5 company arrangements in this country, economic development is served by the
6 recognition of such cost allocations. If utility holding and service companies are
7 not allowed to recover their costs appropriately incurred in support of their
8 downstream entities in South Carolina, they will not invest in South Carolina and
9 utility systems, such as the PWR Alpine system, will lack adequate capital needed
10 to improve aging facilities. When capital investment is lessened, the economic
11 benefits which are associated with it, including jobs and tax revenue, are also
12 lessened. Thus, recognition of valid corporate overhead allocations for utilities in
13 South Carolina promotes economic development.

14
15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

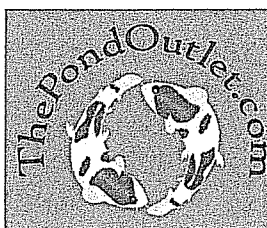
16 **A.** Yes. It does.

Exhibit DHB-1

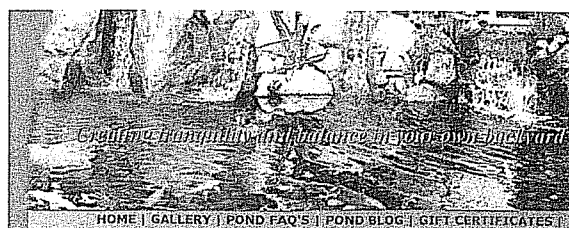
1. Alpine Utilities Rate Case; SCPSC Docket No. 2008-190-S
2. Woodland Utilities, Inc. Adjustment of Rates and Charges; Docket No. 2007-61-S – Order No. 2007-473
3. Goat Island Water and Sewer Co., Inc. Increase in Rates and Charges; Docket No. 2008-142-W/S

EXHIBIT 3

TESTIMONY OF JOHN C. JUDY, JR.



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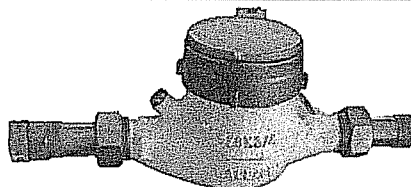
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29154 Water Meter by Aquascape



Overview Features Reviews

Helps to determine: bacteria and water treatment rates, proper fish medication dosages, and useful for calculating fish stocking levels.

Fits directly onto a spigot with garden hose thread swivel adaptors - 3/4"

Easy to read, lets you know exactly how much water is in your pond

- Know the accurate volume of water in your pond!
- Critical when treating fish.
- Determining how many fish your pond can support.
- Determining Pump and Filter size.
- Use to determine proper dosages for pond treatments.
- Easy to Use & Accurate. (Attaches to garden hose with included coupling.)
- Easy to read odometer with graduations down to 1/10 of a gallon.
- Solid Bronze Housing.



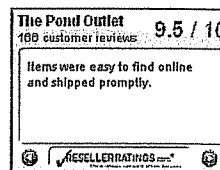
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Great Plains

Industries

Seametrics

Aquascape

Master Meter

Autometer

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Grainger Industrial Supply

Northern Tool

Newegg.com - Kit-Master

Newegg.com - UnbeatableSale

Siemens Water Technologies

Why these products?



Seametrics MJ Series Pulse Water Meter
Contacting head "pulse" water meters with dry-contact or solid state pickups

\$105
from 3 stores



Aquascape Pond Water Meter
"Pond Water Meter: Helps to determine: bacteria and water treatment rates, proper fish medication dosages, and useful for calculating fish stocking levels. CANNOT BE RESET TO 0 ...

\$69
from 4 stores



GPI 113255-4 Flowmeter, turbine, for Water, 1 in FNPT 1yef8
Viscosity 5cP, Pressure Rating 150 PSI, Fluid Temp. F, Fluid Temp. Range 0 to 60 Deg. C, Ambient Temperature 14 to 130 F, 55 Mesh StrainerFlowmeters/TotalizersFuel Meters, ...

\$135
from 22 stores



GPI TM050-N Flowmeter, PVC, 1 to 10 GPM 4tir9
LCD readout. Field Replaceable batteries.

\$199
from 24 stores



5.0023E+12, Plastic Water Meter - 1/8 - 15GPM
Plastic Water Meter Size: 1/2" NPTE Normal Flow Rate (GPM): 1/8 - 15 Weight (lbs): 4

\$99.40
Siemens Water Technologies



Water Flow Meter Sensor
"The T-MINOL-130 is a water meter for measuring cold and hot water flow rates. Its compact design makes it suitable for use in apartments assisted living communities and other ...

\$105.00
Onset Computer Corporation



GPI TM200 Water Meter Economy Grade
2 inch meter with 20 to 200 GPM (76-760Lpm) LCD readout. Field Replaceable batteries. Totalization and Rate of Flow.

\$288
from 20 stores



Autometer Digital Series Black Face 2 1/16" Water Temp Gauge 0-300 F
Auto Meter 6337 2-1/16in Water Temp, 0- 300 degF - Digital Black Auto Meter's "Sport Comp" digital gauges should be your first choice if you want an eye catching visual ...

\$73
from 50 stores

1 review



P3 P0550 Water Meter
Prevents Over-Watering - Easy-To-Read Lcd Display - Calculated Both Single-Use & Total Water Consumption - Accurately Measures To 1/10Th Of A Gallon

\$12
from 42 stores

EXHIBIT 4

TESTIMONY OF JOHN C. JUDY, JR.

Economic data

% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment	Current-account balance	Budget balance	Interest rates, %	Currency units, per \$	
	latest	qtr*	2012†	latest	latest	2012†	rate, %	latest 12 months, \$bn	% of GDP 2012†	10-year gov't bonds, latest	Oct 17th	year ago
United States	+2.1 Q2	+1.3	+2.1	+2.8 Sep	+2.0 Sep	+2.0	7.8 Sep	-477.8 Q2	-3.1	1.81	6.25	6.37
China	+7.4 Q3	+9.1	+7.8	+9.2 Sep	+1.9 Sep	+3.1	4.1 Q2§	+191.1 Q2	+2.1	3.21††	78.7	76.7
Japan	+3.2 Q2	+0.7	+2.2	-4.6 Aug	-0.5 Aug	+0.1	4.2 Aug	+86.2 Aug	+1.4	0.77	0.62	0.63
Britain	-0.5 Q2	-1.5	-0.2	-1.1 Aug	+2.2 Sep	+2.6	7.9 Jul††	-88.0 Q2	-2.5	1.71	0.98	1.02
Canada	+2.9 Q2	+1.9	+2.0	+1.9 Jul	+1.2 Aug	+1.8	7.4 Sep	-56.4 Q2	-3.1	1.91	0.76	0.73
Euro Area	-0.4 Q2	-0.7	-0.5	-2.8 Aug	+2.6 Sep	+2.4	11.4 Aug	+77.0 Jul	+0.5	1.66	0.76	0.73
Austria	+0.1 Q2	-7.3	+0.7	+2.0 Jul	+2.7 Sep	+2.2	4.5 Aug	+4.4 Q2	+1.9	2.07	0.76	0.73
Belgium	-0.3 Q2	-2.0	-0.1	-2.3 Jul	+2.8 Sep	+2.5	7.4 Aug	-8.6 Jun	-0.2	2.40	0.76	0.73
France	+0.3 Q2	-0.1	+0.1	-0.9 Aug	+1.9 Sep	+2.2	10.6 Aug	-53.5 Aug	-2.1	2.14	0.76	0.73
Germany	+1.0 Q2	+1.1	+0.8	-1.4 Aug	+2.0 Sep	+2.0	6.8 Sep	+216.9 Aug	+5.6	1.66	0.76	0.73
Greece	-6.3 Q2	na	-6.1	+2.8 Aug	+0.9 Sep	+1.1	25.1 Jul	-18.3 Jul	-6.6	17.80	0.76	0.73
Italy	-2.5 Q2	-3.0	-2.4	-5.2 Aug	+3.2 Sep	+3.2	10.7 Aug	-39.3 Jul	-2.0	4.76	0.76	0.73
Netherlands	-0.4 Q2	+0.9	-0.6	-0.6 Aug	+2.3 Sep	+2.4	6.5 Aug	+78.8 Q2	+7.8	1.78	0.76	0.73
Spain	-1.0 Q2	-1.7	-1.7	-3.1 Aug	+3.4 Sep	+2.4	25.1 Aug	-39.1 Jul	-2.4	5.76	0.76	0.73
Czech Republic	-1.7 Q2	-1.0	-1.0	-3.0 Aug	+3.4 Sep	+3.3	8.4 Sep§	-3.4 Q2	-1.9	2.30	18.9	18.0
Denmark	-0.6 Q2	-1.6	+0.4	+2.2 Aug	+2.5 Sep	+2.4	6.2 Aug	+20.0 Aug	+4.4	1.23	5.69	5.41
Hungary	-1.3 Q2	-0.9	-1.2	+1.4 Aug	+6.6 Sep	+5.6	10.4 Aug††	+1.2 Q2	+1.8	6.68	212	214
Norway	+5.0 Q2	+4.7	+4.0	+0.4 Aug	+0.5 Sep	+0.6	3.0 Jul††	+77.7 Q2	+14.1	1.89	5.63	5.61
Poland	+2.4 Q2	na	+2.4	-5.2 Sep	+3.8 Sep	+3.6	12.5 Sep§	-19.4 Aug	-3.8	4.60	3.13	3.14
Russia	+4.0 Q2	na	+3.8	+1.9 Sep	+6.6 Sep	+5.1	5.2 Sep§	+102.9 Q3	+4.4	-0.8	30.8	30.9
Sweden	+1.3 Q2	+3.0	+1.1	+3.2 Aug	+0.4 Sep	+1.2	7.2 Aug§	+34.5 Q2	+6.6	1.56	6.60	6.64
Switzerland	+0.5 Q2	-0.2	+1.0	-0.6 Q4	-0.4 Sep	-0.4	2.9 Sep	+78.0 Q2	+13.0	0.59	0.92	0.90
Turkey	+2.9 Q2	na	+3.2	-1.5 Aug	+9.2 Sep	+9.1	8.4 Jul†	-59.0 Aug	-7.6	8.25	1.80	1.87
Australia	+3.7 Q2	+2.6	+3.4	+0.5 Q2	+1.2 Q2	+1.9	5.4 Sep	-42.1 Q2	-3.6	-0.8	0.96	0.98
Hong Kong	+1.2 Q2	-0.2	+1.5	-3.0 Q2	+3.8 Aug	+3.7	3.2 Aug††	+8.5 Q2	+5.2	0.77	7.75	7.78
India	+5.5 Q2	+0.1	+5.8	+2.7 Aug	+9.7 Sep	+9.2	9.8 2011	-77.1 Q2	-4.0	8.15†††	52.9	49.0
Indonesia	+6.4 Q2	na	+6.0	+3.6 Aug	+4.3 Sep	+4.5	6.3 Q1§	-11.6 Q2	-2.4	-2.4	9,574	8,818
Malaysia	+5.4 Q2	na	+4.9	-0.6 Aug	+1.4 Aug	+1.8	3.1 Jul§	+25.2 Q2	+6.8	3.46	3.04	3.10
Pakistan	+4.2 2012**	na	+4.2	+0.1 Aug	+8.8 Sep	+10.1	6.0 2011	-4.5 Q2	-2.4	11.45†††	95.4	86.6
Singapore	+1.3 Q3	-0.3	+2.4	-2.2 Aug	+3.9 Aug	+4.4	2.0 Q2	+50.6 Q2	+15.6	1.32	1.22	1.27
South Korea	+2.3 Q2	+1.1	+2.7	+0.3 Aug	+2.0 Sep	+2.2	2.9 Sep§	+36.6 Aug	+2.0	2.98	1,106	1,140
Taiwan	-0.2 Q2	+3.4	+1.3	+8.4 Feb	+3.0 Sep	+2.3	4.3 Aug	+43.5 Q2	+8.6	1.16	29.2	30.1
Thailand	+4.2 Q2	+13.9	+6.0	-11.3 Aug	+3.4 Sep	+3.1	0.6 Jul§	+0.4 Q2	-0.7	3.54	30.6	30.6
Argentina	nil Q2	-3.4	+2.1	-0.9 Aug	—	—	7.2 Q2§	+0.6 Q2	+0.4	na	4.71	4.22
Brazil	+0.5 Q2	+1.6	+1.5	-1.9 Aug	+5.3 Sep	+5.3	5.3 Aug§	-49.7 Aug	-2.7	9.57†	2.03	1.75
Chile	+5.5 Q2	+7.1	+5.0	+5.2 Aug	+2.8 Sep	+2.9	6.4 Aug†††	-6.8 Q2	-3.7	na	472	502
Colombia	+4.9 Q2	+6.7	+4.4	+1.7 Jul	+3.1 Sep	+3.2	9.7 Aug§	-11.0 Q2	-3.6	6.07	1,798	1,888
Mexico	+4.1 Q2	+3.5	+3.9	+3.6 Aug	+4.8 Sep	+4.1	4.9 Aug	-5.6 Q2	-0.7	7.75	12.8	13.3
Venezuela	+5.4 Q2	+2.2	+5.0	+1.1 Jun	+18.0 Sep	+20.9	7.9 Aug§	+22.1 Q2	+5.1	10.05	4.29	4.29
Egypt	+3.3 Q2	na	+2.2	+4.5 Aug	+6.2 Sep	+7.6	12.6 Q2§	-7.9 Q2	-3.2	na	6.11	5.97
Israel	+3.4 Q2	+3.4	+2.4	+5.3 Jul	+2.1 Sep	+2.1	7.0 Q2	-0.2 Q2	-1.1	4.14	3.80	3.64
Saudi Arabia	+7.1 2011	na	+5.6	na	+3.8 Aug	+4.6	5.4 2009	+169.1 Q1	+23.1	3.68	3.75	3.75
South Africa	+3.0 Q2	+3.2	+2.5	+3.0 Aug	+5.0 Aug	+5.2	24.9 Q2§	-19.4 Q2	-5.8	6.65	8.61	7.95

Source: Haver Analytics. **% change on previous quarter, annual rate. †The Economist poll or Economist Intelligence Unit estimate/forecast. ‡Not seasonally adjusted. *New Series. **Year ending June. ††Latest 3 months. †‡3-month moving average. §5-year yield ***Official number not reliable; The State Street PriceStats Inflation Index, September 26.88%; year ago 24.38% †††Dollar-denominated bonds.

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CERTIFICATE OF SERVICE
2012-94-S

I, the undersigned, do hereby certify that I have filed a copy of the Direct Testimony and Exhibits of John C. Judy, Jr. via the Public Service Commission of South Carolina's electronic filing system, and on the same day mailed paper copies via the U.S. Mail, first class, postage prepaid, to the following addresses:

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November 14, 2012
Columbia, South Carolina